

Form A

Dwellings, Private Structures Special Form California Department of Veterans Affairs

**TO REPORT A LOSS: CALL SAMS & ASSOCIATES 1-800- 626-1613
OR 916 786-7267**

**FOR GENERAL INFORMATION CALL CALIFORNIA DEPARTMENT OF
VETERANS AFFAIRS**

TOLL FREE 1-800-952-LOAN (5626)

**Policy Period (or Coverage Period) October 31, 2010 to October 31,
2011**

This Form A and the Annual CDVA Certificate of Coverage (herein called Coverage Certificate) are issued to the Contract Holder.

Coverage attaches only to those items specifically described in this Form A for which a specific amount is shown on the Coverage Certificate. Unless otherwise provided, all conditions of this Form A and the provisions of the Coverage Certificate shall apply separately to each item covered.

Loss, if any, to be adjusted with and payable to the California Department of Veterans Affairs, and the Contract Holder, as their interests may appear under the terms and conditions as may be specified by the California Department of Veterans Affairs.

Any loss hereunder shall not reduce the amount of coverage under this Form A.

DEDUCTIBLE CLAUSE

The amount of the Contract Holder's deductible with respect to loss by any of the covered perils shall be determined as follows:

- A.** For the first three paid claims within the last 60-months, the Contract Holder's deductible shall be \$250 for each claim submitted;
- B.** For each claim submitted after the first three paid claims within the last 60-months, the Contract Holder's deductible shall be \$1,000 for each claim submitted.

The Contract Holder's Deductible Clause shall apply separately for each occurrence covered hereunder.

The Contract Holder's Deductible Clause shall not apply to Additional Living Expense or Rental Value coverage.

I. COVERAGE

This Form A covers the described Dwellings for Guaranteed Replacement Cost with limited building code upgrades, all subject to the provisions and stipulations of this Form A.

THIS COVERAGE DOES NOT APPLY TO PERSONAL PROPERTY, HOUSEHOLD CONTENTS, PERSONAL LIABILITY, WATER OR LAND, INCLUDING LAND ON WHICH THE DWELLING IS LOCATED.

II. COVERED PERILS

This Form A covers risk of direct physical loss to the property described in Section I. However, this Form A does not cover loss:

- A. By ordinary wear and tear; gradual deterioration; rust or; wet or dry rot; contamination; smog; smoke, except sudden and accidental damage from smoke: smoke from agricultural smudging or industrial operations; mechanical breakdown; birds; bats, vermin; rodents; insects or domestic animals; unless loss from a peril not excluded in this Form A ensues, and then coverage under this Form A shall be provided only for such ensuing loss.
- B. By theft of any property: (1) which at the time of loss is not an integral part of any Dwelling or Private Structure or (2) from a Dwelling or Private Structure in process of construction; unless loss from a peril not excluded in this Form A ensues from theft or attempted theft and then coverage under this Form A shall be provided only for such ensuing loss.
- C. By vandalism and malicious mischief, theft or attempted theft, or glass breakage, if the described Dwelling or Private Structure, had been vacant beyond a period of 120 consecutive days immediately preceding the loss; unless loss from a peril not excluded in this Form A ensues, and then coverage under this Form A shall be provided only for such ensuing loss.
- D. To plumbing, heating or air conditioning systems or domestic appliances or by leakage or overflow from such systems or appliances, caused by or resulting from freezing while the Dwelling or Private Structure is vacant or while all occupants are absent therefrom or while it is being constructed, unless the Contract Holder shall have exercised due diligence with respect to maintaining heat in the Dwelling or Private Structure or unless such systems and appliances had been

drained and the water supply shut off.

- E. To retaining walls not constituting part of a Dwelling or Private Structure, piers, wharves or docks when such loss is caused by pressure of weight of ice or water, freezing, thawing or earth movement, unless such loss is caused by collapse of any other structure, as provided in SECTION VI - EXTENSIONS OF COVERAGE, D. Collapse.
- F. Loss or damage to foundations, walkways, cement floors, sewer pipes, water pipes and gas pipes due to tree roots causing cracking, lifting and bursting from the pressure of tree roots unless such loss from a peril not excluded in this Form A ensues, and then coverage under this Form A shall be provided only for such ensuing loss.
- G. By settling, cracking, shrinking, gradual sinking, bulging, or expansion of soil; damage resulting from differential movement caused by seasonal volume changes of the bearing soil underlying the structure.
- H. Involving collapse, other than as provided in SECTION VI - EXTENSION OF COVERAGE, D. Collapse.
- I. Excluded under SECTION III-ADDITIONAL EXCLUSIONS.
- J. Intentional loss arising out of an act committed by or at the direction of the Contract Holder.

III. ADDITIONAL EXCLUSIONS

- A. This Form A does not cover loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss.
 - 1. Earth movement, including but not limited to earthquake (defined as a shaking or trembling of the earth that is tectonic in origin), landslide, mudflow, earth sinking, earth rising or shifting, unless fire or explosion as covered ensues, and then coverage under this Form A shall be provided only for loss caused by the fire or explosion.
 - 2. Water damage, meaning any of the following:
 - a. Flood, surface water, waves, tidal water or tidal wave, overflow of streams or other bodies of water, or spray from any of the foregoing, all whether driven by wind or not;

- b. Water which backs up through sewers or drains;
- c. Water below the surface of the ground including that which exerts pressure on or otherwise flows, seeps or leaks through sidewalks, driveways, foundations, walls, basement or other floors, or through doors, windows or any other opening in such sidewalks, driveways, foundations walls or floors;

unless loss by fire or explosion as covered hereunder ensues, and then coverage under this Form A shall be provided only for such ensuing loss.

3. War Risk and Governmental Action, meaning:

Hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack (1) by any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air forces; or (2) by military, naval or air forces; or (3) by agent of any such government, power, authority or forces, it being understood that any discharge, explosion or use of any weapon of war employing nuclear fission or fusion shall be conclusively presumed to be such a hostile or warlike action by such a government, power, authority or forces; insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an occurrence, seizure or destruction under quarantine or customs regulations, confiscation by order of any government or public authority, or risks of contraband or illegal transportation or trade.

4. Nuclear Hazard, to the extent set forth in the Nuclear Clause and Nuclear Exclusion below.

Nuclear Clause: The word “fire” in this Form A is not intended to and does not embrace nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and loss by nuclear reaction or nuclear radiation or radioactive contamination is not intended to be and is not covered by this Form A, whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by “fire” or any other perils covered by this Form A.

However, subject to the foregoing and all provi-

sions of this Form A, direct loss by “fire” resulting from nuclear reaction or nuclear radiation or radioactive contamination is covered by this Form A.

Nuclear Exclusion: Loss by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled, uncontrolled, or due to any act or condition incident to any of the foregoing is not covered by this Form A, whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by any of the perils covered by this Form A; and nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, is not “explosion” or “smoke”. This clause applies to all perils covered hereunder except the peril of fire, which is otherwise provided for in the nuclear clause above.

5. Absolute Pollution Exclusion: This Form A does not apply to any loss, demand, claim or suit arising out of or in any way related to pollution including any cost or expense arising out of or in any way related to testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing pollution. CDVA shall have no duty of any kind with respects to any such loss, demand, claim or suit.

This exclusion applies to all coverages under this Form A.

Pollution means any solid, liquid, gaseous or thermal irritant or contaminant, including: smoke, except sudden and accidental damage from smoke; smoke from agricultural smudging or industrial operation; vapor; soot; fumes; acids; alkalis; chemicals; and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

6. Asbestos Exclusion: Loss, damage or expense to remove, or replace asbestos material unless such materials are themselves damaged by a covered peril. Notwithstanding that competent Government Authority may declare all or parts of the covered premises unfit for occupancy without removal or modifications to asbestos material, CDVA’s liability is limited to the proportion represented by the cost to repair the damaged part of the premises, not the entire property.

Similarly, if this Form A provides additional living expense, rental value or other loss of use or occupancy, such coverage shall be limited to the time required to repair or replace only the damaged portions of the premises.

7. Electronic Date Recognition: Notwithstanding any provision of this Form A which may appear to the contrary, this Form A does not cover any loss, damage, cost, claim or expense, whether preventative, remedial or otherwise, directly or indirectly arising out of or relating to:

- a. the recognition, interpretation, calculation, comparison, differentiation, sequencing or processing of data involving one or more dates or times, including the Year 2000, by any computer system hardware, program or software, or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the Contract Holder or not; or,
- b. any change, alteration, correction or modification involving one or more dates or times, including the Year 2000, to any such computer system, hardware, program or software, or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the Contract Holder or not.

Except as provided in the next paragraph, this Electronic Date Recognition Clause shall apply regardless of any cause or event that contributes concurrently or in any sequence to the loss, damage, cost, claim or expense.

If direct physical loss or damage not otherwise excluded by this Form A results, then subject to all its terms and conditions, this Form A shall be liable only for such resulting loss or damage. Such resulting loss or damage shall not include any cost, claim or expense, whether preventative, remedial or otherwise, arising out of or relating to any change, alteration, correction or modification relating to the ability of any damaged computer system, hardware, program or software, or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment to recognize, interpret, calculate or compare, differentiate, sequence or process data involving one or more dates or times, including the Year 2000.

Destruction, distortion or corruption of any computer data, coding or software, which is caused by the failure of any computer system, hardware, program or software, or any other microchip, integrated circuit, or similar device in computer equipment or non-computer equipment, to recognize, interpret, calculate, compare, differentiate, sequence or process any data involving one or

more dates or times, including the Year 2000, is not physical loss or damage covered under this Form A.

- B.** This Form A does not cover loss caused by any of the following. However, any ensuing loss not excepted or excluded in this Form A is covered.

1. Weather conditions. However this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in paragraph A.2 above to produce the loss.
2. Faulty, inadequate or defective:
 - a. planning, zoning, development, surveying, citing;
 - b. design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
 - c. materials used in repair, construction, renovation or remodeling; or
 - d. maintenance;

of part or all of any property whether on or off the described premises

- C.** This Form A does not apply to any loss, demand, claim or suit arising out of or in any way related to loss due to Microbial Organisms, including but not limited to mold, mold spores, fungus bacterium, parasitic microorganisms and wet or dry rot other than as provided in VI, EXTENSIONS of COVERAGE, Mold or Fungus.

IV. DEFINITIONS

- A. Dwelling:** This term shall mean the primary residence, including additions in contact therewith, occupied principally for dwelling purposes and primary residences in the course of construction; also, materials and supplies located on the described premises or adjacent thereto, intended for use in construction, alteration or repair of structures covered hereunder.

- B. Private Structures:** This term shall mean structures located on your premises, owned by you (other than the described dwelling and additions in contact therewith), including secondary residences, appertaining to the described premises. However, this will not include structures used in whole or in part for commercial, manufacturing or farming purposes, nor any structures (except structures used principally for private garage purposes and secondary residences). which are wholly rented or leased to other than a tenant of the principal

dwelling covered hereunder.

- C. Rental Value:** This term shall mean the fair rental value of the building(s) or parts thereof, as furnished and equipped by the owner whether rented or not. Loss of Rental Value shall be computed for the period of time, following loss to the building(s) by any covered peril, which would be required with the exercise of due diligence and dispatch to restore the property to a tenantable condition, less such charges and expenses as do not continue.

As to “Rental Value,” the Company shall be liable during the period of time, not exceeding two weeks, while access to the described premises is prohibited by order of civil authority, but only when such order is given as a direct result of damage by any covered peril within 5 statutory miles of the covered premises

- D. Additional Living Expense:** This term shall mean the necessary increase in living expense incurred by the Contract Holder in order to continue as nearly as practicable the normal standard of living of the Contract Holder’s household for the applicable period described in (1) or (2), whichever is the lesser: (1) the time required, with the exercise of due diligence and dispatch, to repair or replace the damaged or destroyed property; (2) the time required for the Contract Holder’s household to become settled in any permanent quarters.

As to “Additional Living Expense,” this Company shall be liable during the period of time, not exceeding two weeks, while access to the described premises is prohibited by order of civil authority, but only when such order is given as a direct result of damage by any covered peril within 5 statutory mile of the covered premises.

you do not elect either option 1 or 2 and elect a cash settlement, we will pay the loss in the fair market value of the damaged and/or destroyed dwelling or private structure(s) based upon the difference in the measure of its fair market value immediately prior to the loss, and that subsequent to the loss, but in no case more than the amount required to repair or replace the damaged property.

- B. For Fences,** the amount of loss will be the amount actually and necessarily expended to repair or rebuild the fence with material of like kind and quality. Fifty percent discount will be taken on losses involving fences shared with neighbors.
- C. For all other private structures** that are not buildings, the amount of loss will be calculated based upon the cost to repair or replace that part of the structure damaged or destroyed with material of like kind and quality less allowance for physical deterioration and depreciation.
- D. Guaranteed Replacement Cost Coverage** is provided (see Section VI G). This extension of coverage shall be applicable only to a Dwelling(s). This extension shall not apply to alterations and/or additions unless reported in writing to the California Department of Veterans Affairs. If your dwelling is damaged or destroyed by fire or other covered peril, and the coverage limit shown in the Coverage Certificate is less than the cost of repairs, we will increase the coverage limit to equal the current replacement cost of the dwelling subject to the following: Payment under this provision shall in no case exceed the amount necessarily and actually spent to repair or replace the damaged Dwelling.

V. LOSS SETTLEMENT

Covered property losses are settled as follows:

- A. Dwelling(s) or Private Structure(s)** are at replacement cost without deduction for depreciation, subject to the following options:
1. The amount actually and necessarily expended to repair or rebuild the dwelling for equivalent construction and use on the same site; or
 2. For no greater cost than option 1, you elect to build a dwelling or private structure(s) at another location; or
 3. In the event of a total loss to a Dwelling for which

SECTION VI - EXTENSIONS OF COVERAGE

- A. Private Structures:** The Contract Holder may apply up to 20% of the amount of coverage applicable to the Primary Dwelling under the Coverage Certificate as an additional amount of coverage to cover loss to Private Structures as defined in paragraph B of Section IV by any covered peril.
- B. Rental Value and Additional Living Expense:** The Contract Holder may apply up to 20% of the amount of coverage applicable to the Primary Dwelling under the Coverage Certificate as an additional amount of coverage to cover loss by any covered peril of both (1) Rental Value of the described building(s) with

respect to any portion thereof not occupied by the Contract Holder, and (2) Additional Living Expense with respect to any portion of the described building(s) occupied by the Contract Holder, but not to exceed said 20% of both (1) and (2) in the aggregate. However, Rental Value shall be paid only when written agreement to rent property, or any portion thereof, has been obtained from the CDVA.

C. Trees, Shrubs, Plants, and Lawns: The Contract Holder may apply up to 5% of the amount of coverage applicable to the Primary Dwelling under the Coverage Certificate to cover loss to trees, shrubs, plants and lawns, within landscaped areas only, on the described premises (except those grown for commercial purposes) by fire, lightning, smoke (except smoke from agricultural smudging or industrial operations), windstorm, hail, explosion, riot, riot attending strike, civil commotion, aircraft vehicles (except vehicles owned or operated by an occupant of the described premises), collapse of a building, caused by theft or attempted theft (except with respect to property taken from the premises). But CDVA shall not be liable for more than its proportion of \$250 on any one tree, shrub, or plant including expense incurred from removing debris thereof. In no event shall the coverage under this extension apply to any peril except those specifically set forth in this paragraph. Landscaped areas as described hereunder are defined as any alteration to the natural condition of the land by grading, landscaping including but not limited to trees, shrubs, plants, lawns, etc., earthen dikes or dams, as well as additions to land such as pavements, driveways, or similar works.

D. Collapse: This Form A covers risk of direct physical loss to covered property involving collapse of a building or any part of a building caused only by one or more of the following:

1. covered perils under this Form A;
2. hidden decay;
3. hidden insect or vermin damage;
4. weight of contents, equipment, animals or people;
5. weight of rain, ice or snow which collects on a roof;
6. use of defective materials or methods in construction, remodeling or renovation if the collapse occurs during the course of construction, remodeling or renovation.

Loss to an awning, fence, patio, pavement, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf, dock or outdoor equipment is not included under items 2, 3, 4, 5 and 6 unless the loss is a direct result of the collapse of a building. Collapse does not include settling, cracking, shrinking, bulging or expansion.

This coverage does not increase the amount of coverage applying to the property damaged or destroyed.

E. Debris Removal: The Contract Holder may apply up to 5% of the amount of coverage applicable to the Dwelling under the Coverage Certificate as an additional amount of coverage to cover expenses incurred in the removal of debris of the property covered hereunder, which may be occasioned by loss caused by any covered peril hereunder.

F. Property Removal: This Form A is extended to cover pro rata for 30 days at each proper place to which any of the property covered hereunder shall necessarily be removed for preservation from or for repair of damage caused by any covered peril.

G. Building Code Upgrade Ordinance or Law: In the event of any direct physical loss or damage to the covered Dwelling caused by a covered peril by this Form A, this Form A is extended to cover up to 10% (ten percent) of the amount of coverage applicable to the Dwelling under the Coverage Certificate as an additional amount of coverage to cover any ordinance or law meaning the enforcement of any ordinance or law regulating the construction, repair or demolition to such Dwelling. This coverage will not apply to any structure other than the dwelling.

H. Fire Department Service Charge: CDVA will pay up to \$500 for liability assumed by contract or agreement by the Contract Holder for fire department charges incurred when the fire department is called to save or protect covered property from a covered peril. CDVA will not cover fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response.

This extension of coverage does not increase the amount of coverage applying to the property damaged or destroyed.

I. Mold or Fungus: we will pay up to a total of \$20,000 for direct physical loss to dwelling and private structures caused by or consisting of mold or fungus if the

mold or fungus is the direct result of a Covered peril. This coverage does not apply if the loss results from the Contract Holder's failure to reasonably maintain the property or protect the property from further damage following a covered loss.

As respects Extensions of Coverage A and C, it is a condition of this Form A that in the event the Contract Holder elects to apply the optional extensions of coverage herein, CDVA shall not be liable for a greater proportion of any loss than would have been the case if all policies covering the described property had contained identical optional provisions and the same election were made on all policies

VII. OTHER PROVISIONS

- A. Control of Property:** This coverage shall not be prejudiced by any act or neglect of any person (other than the Contract Holder) when such act or neglect is not within the control of the Contract Holder.
- B. Theft:** The policy condition excluding loss by theft is waived, except as provided in Section II, paragraphs B and C of this Form A.
- C. Increased Hazard:** The conditions suspending this coverage while the hazard is increased are waived.
- D. Vacancy and Unoccupancy:** Permission granted for vacancy or unoccupancy without limit of time, except as to loss excluded by Section II, paragraphs C and D. A building in the process of construction shall not be deemed vacant.
- E. Description of Property:** This coverage shall not be prejudiced if any error is made in describing the location of the property covered.
- F. Subrogation:** This coverage shall not be invalidated should the Contract Holder waive in writing prior to a loss any or all right of recovery against any party for loss occurring to the described property.
- G. Alteration and Repairs:** Permission is granted to make alteration, additions and repairs, and to complete structures in the course of construction. In the event of loss hereunder, the Contract Holder is permitted to make reasonable repairs, temporary or permanent, provided such repairs are confined solely to the protection of the property from further damage and provided further that the Contract Holder shall keep an accurate record of such repair expenditures. The cost of any such repairs directly attributable to damage of any covered peril shall be included in determining the amount of loss hereunder. Nothing herein contained is intended to modify the requirements applicable in case loss occurs, and in particular the requirement that the Contract Holder shall protect the property from further damage.
- H. Apportionment:** CDVA shall not be liable for a greater proportion of any loss less the amount of deductible, if any, from any covered peril or perils in this Form A than (1) the amount of coverage under the Coverage Certificate bears to the whole amount of fire coverage covering the property, or which would have covered the property except for the existence of this coverage, whether collectible or not, and whether or not such other fire coverage covers the additional covered peril or perils hereunder, or (2) for a greater proportion of any loss less the amount of deductible, if any, than the amount hereby covered bears to all coverage, whether collectible or not, covering in any manner such loss, or which would have covered such loss except for the existence of this coverage; except if any type of coverage other than fire extended to cover additional perils or windstorm coverage applies to any loss to which this coverage also applies, or would have applied to any such loss except for the existence of this coverage. The limit of liability of each type of coverage for such loss, hereby designated as "joint loss", shall first be determined as if it were the only coverage, and this type of coverage shall be liable for no greater proportion of joint loss than the limit of its liability for such loss bears to the sum of all such limits. The liability of CDVA (under this coverage) for such joint loss shall be limited to its proportionate part of the aggregate limit of this and all other coverage of the same type. The words "joint loss", as used in the foregoing, mean that portion of the loss in excess of the highest deductible, if any, to which this Form A and other types of coverage above referred to both apply.
- I. Duties after Loss:** In the event of loss or damage to covered property, the Contract Holder must do the following:
 1. Give notice to Sams & Associates by no later than 12 months from the date of discovery of such loss or damage.
 2.
 - a) Protect the property from further damage;
 - b) make reasonable and necessary repairs to protect the property; and
 - c) keep an accurate record of repair expenses.
 3. As often as reasonably required,
 - a) exhibit to any person designated by Sams & Associates all that remains of any property;

and

- b) submit to examinations under oath by any person named by Sams & Associates, and subscribe the same; and
 - c) as often as may be reasonably required, produce for examination all books of account, bills, invoices and other vouchers, or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by Sams & Associates or its representative, and permit extracts and copies thereof to be made.
- 4. File with Sams & Associates a detailed sworn Proof of Loss within 60 days of receipt of the Proof of Loss from Sams & Associates.
 - 5. Cooperate with Sams & Associates in the adjustment and settlement of the loss.
 - 6. Notice to Sams & Associates shall be the same as notice to CDVA. Call Sams & Associates at 1-800- 626-1613 or 916-786 7267 or send Fax to 916-786-4660
- J. Suit Against CDVA:** No suit or action on this Form A for the recovery of any claim shall be sustainable in any court of law unless the Contract Holder has fully complied with all the requirements of this Form A, all administrative procedures required by law, nor unless commenced within 12 months after the loss. If you disagree with the decision of Sams & Associates, you must appeal to the Deputy Secretary of the Division of Farm & Home Purchases of CDVA before filing suit. If you disagree with the decision of the Deputy Secretary, you must appeal to the California Veterans Board before filing suit. If you disagree with the decision of the California Veterans Board, you must file a claim with the California Board of Control before filing suit against CDVA.
- K. Cancellation:** This Form A may be canceled by the California Department of Veterans Affairs by giving forty-five (45) days prior written notice of such cancellation.

In the event of cancellation for non-payment of premium due, in which event the California Department of Veterans Affairs shall give the Contract Holder not less than ten (10) days notice before such cancellation becomes effective. Notice of cancellation by the California Department of Veterans Affairs shall be effective even though the California Department of Veterans Affairs makes no payment or tender of return premium with such notice.

L. Other Coverage: If a loss covered by this Form A is also covered by other coverage, CDVA will pay only the proportion of the loss that the limit of liability that applies under this Form A bears to the total amount of coverage covering the loss.

M. Concealment or Fraud: Whether before or after a loss, this entire Form A is void if the Contract Holder has intentionally concealed or misrepresented any material fact or circumstance, engaged in fraudulent contact or made material false statements relating to this coverage.

N. Appraisal: If the Contract Holder and Sams & Associates fail to agree on the amount of loss, either may demand an appraisal of the loss. In this event, each party will choose a competent appraiser within 60 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 15 days, the Contract Holder or Sams & Associates may request that the choice be made by a judge of a court of record in the state where the property is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to Sams & Associates, the amount agreed upon will be the amount of the loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss.

Each party will:

- 1) Pay its own appraiser;
- 2) bear the other expenses of the appraisal and umpire equally; and
- 3) pay its own attorneys fees, if any.

O. Option Clause: If the California Department of Veterans Affairs gives the Contract Holder written notice within 30 days after Sams & Associates receives the signed sworn proof of loss, California Department of Veterans Affairs may repair or replace any part of the damaged property with equivalent construction.